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Role of Sales Force in Creating Customer Referrals

Master's Thesis

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Yritysten välisissä asiakassuhteissa asiakastyytyväisyys ja suositteleminen ovat saaneet runsaasti huomiota markkinointikeinoina, ja näillä konsepteilla on todettu olevan positiivinen yhteys asiakkuuksien arvoon.

Huolimatta myynnin merkittävästä roolista monimutkaisissa yritysten välisissä suhteissa, myynnin vaikutukset suositteluaktiivisuuteen on jätetty vähemmälle huomiolle. Tässä diplomityössä tutkitaan myyntityön yhteyttä suositteluaktiivisuuteen 268 asiakkaan Net Promoter Score –vastausten sekä monikansallisen yrityksille tuotteitaan ja palveluitaan markkinoivan yrityksen myyntiaktiviteettitietojen avulla. Tutkimusmenetelmänä käytettiin osittaisen pienimmän neliösumman (PLS) rakenneyhtälömallia.

Diplomityön tulokset osoittavat selkeän yhteyden tutkittavien parametrien välillä: mitä kiireisempi myyjä on, sitä pienemmällä todennäköisyydellä hänen asiakkaansa päätyvät suosittelemaan yritystä verkostolleen. Toisaalta, kun aktiviteetit keskittyvät pienelle myyntiryhmälle, on vaikutus päinvastainen. Tutkimushypoteesin vastaisesti tuloksista ilmenee myös se, että aktiivisen ja tuloksellisen myyntiryhmän asiakkaat suosittelevat myös vähemmän todennäköisesti yritystä.

Tulosten perusteella yritysten tulisi kohdentaa ja mukauttaa myyntitoimenpiteitään asiakassuhdekohtaisesti asiakkaan tarpeiden mukaan.

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In business-to-business relationships, customer satisfaction and referrals as marketing measures have been widely studied. These concepts have been found to have positive effects on the value of their respective customers.

However, when considering the focal role of sales force in complex business relationships, it is apparent that the importance of sales activities on customer referrals has been overlooked. The present study investigates this relationship by analyzing longitudinal sales activity data and respective Net Promoter Scores of 268 customers of a multinational business-to-business company using partial least squares (PLS) structural equation modeling.

The results show that the busier a salesperson is, the less probably his or her customers will refer the company to their network. However, when the activity is focused on only few different salespeople, the effect is contrary. Contrary to a hypothesis, the findings also reveal that the customers of an active and well-performing sales team are also less likely to refer.

The results suggest that managers should focus sales efforts and adapt to customer-specific needs in relationship management.

Keywords:	Publishing language:
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Preface

This study was conducted as a joint effort of Aalto School of Science, Aalto School Economics and industry, with the guidance of participants from all three parties. I, as the author, was working with the data and the theory while the others gave invaluable pieces of advice along the path.

For the eventual accomplishment, I want to thank instructors professor Petri Parvinen and Tom Lindström for the hours devoted to guiding through sometimes really shady and unclear paths of research. Specifically I want to thank Ph.D. candidate Essi Pöyry for the help, assistance and co-work along the research project.

No war has been fought, no degree accomplished nor a random leaning tower built without proper support. For these efforts during my wonderful journey in Aalto University, I would like to cordially thank these parties:

1) My better half, Henna for the love and support at home in moments when I already had decided to throw in the towel
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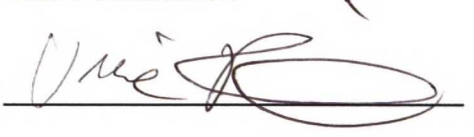

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1 Introduction

1.1 Background

Both from the academic and managerial perspective, customer referral activity arising from customers' positive or negative experiences has been an interesting question for decades. Especially in the marketing literature, customer referrals, word-of-mouth, satisfaction and loyalty are extensively studied and closely interrelated concepts (e.g. E. W. Anderson, 1998; Lam, Shankar, Erramilli, & Murthy, 2004; Selnes, 1993). Indeed, customers' relationship perceptions, which include, for example, satisfaction and commitment, have been seen to result from various marketing instruments (Bolton, Lemon, & Verhoef, 2004), not just from the product or service offering itself. According to the Customer Asset Management of Services - framework (CUSAMS), these marketing instruments include service quality programs, direct marketing promotions, relationship marketing instruments, advertising and communication, and distribution channels. The relationship perceptions are expected to lead to positive outcomes in terms of length, depth and breadth of the relationship, and eventually to higher customer lifetime value (CLV).

Companies have widely adopted this paradigm and many of them aim to enhance customer satisfaction and commitment to increase the lifetime value of their customers (Morgan, Anderson, & Mittal, 2005). Additionally, customer referrals – often an effective mean of marketing as shown by Kumar et al. (2010) – are seen to result from satisfied and committed customers (E. W. Anderson, 1998). Consequently, customer satisfaction and referral

probability are one of the most used customer-related marketing metrics (Morgan & Rego, 2006). There are many different sets of metrics to measure these activities and one of them is called the *Net Promoter Score* (NPS). Argued to be simple to use and "one of the best indicators of loyalty" (Reichheld, 2003), NPS measures customers' likelihood to recommend a company to a friend or colleague.

However, as companies are increasingly utilizing customer satisfaction information, such as NPS, to solve service, quality and brand related issues, the importance of sales activities have been neglected both in academia and among companies. Although many companies collect satisfaction data on a regular basis in multitude of customer interfaces, deeper integration of these measures in decision-making has been reported rare (Morgan, Anderson, & Mittal, 2005a). Moreover, academics have not emphasized actions of the sales force in creating customer satisfaction or referrals.

This omission of sales is especially dangerous in business-to-business contexts where the relationship between the salesperson or sales team and the customer is particularly close. In fact, the whole company and its offerings are often embodied in the salesperson, regardless of other marketing activities (Palmatier, Scheer, & Steenkamp, 2007). Although being implicitly present in the CUSAMS model assessing the effects of different marketing activities are not highlighted in the model. Specifically in relationships with tight social and economic bonds, the role of sales is expected to be substantial. This is the case in many business-to-business industries with salespersons playing a more consultative role and the

frequency of purchases is relatively high. Furthermore, the CUSAMS model proposes relationship marketing instruments to include economic reward programs and social programs, which do not capture the influence and nature of sales activities.

After all, sales activities include the aspect of negotiating the contents of the product or service offering as well as price, delivery, financing, maintenance etc., and, perhaps even more importantly, sales inherently includes conflicting goals. On the other hand, as the idea of value-based selling proposes, sales – at its best – increases the added value as the salesperson is able to recognize the underlying needs of the customer and match the product offering accordingly (Blocker, Cannon, Panagopoulos, & Sager, 2012).

1.2 Research problem and objectives

Because sales plays a significant role in customer relationships and not much theoretical or practical research exists, the purpose of this thesis is to explore and analyze the relationships between the activities and properties of the sales force and customer referrals. Thus, the primary research question is formulated as follows:

What is the role of sales in creating customer referrals?

The role of sales can be split into different areas of sales force and relationship characteristics. The effects of sales force characteristics on customer referrals could be expressed e.g. through experience, expertise (e.g. Palmatier, Dant, Grewal, & Evans, 2006), and sales role (e.g. Weitz &

Bradford, 1999) of the salesperson whereas relationship characteristics, such as, closeness (e.g. Palmatier, Dant, Grewal, & Evans, 2006), length (e.g. Homburg, Wieseke, & Hoyer, 2009) and frequency (e.g. Homburg & Stock, 2004) have been found to affect relationship outcomes and thus, it could be hypothesized that they would also affect referral intentions.

To support the hypothesized sales force – NPS relationship, the consequences of NPS to the effectiveness of the sales force are tested. The heavy assertions behind NPS have been criticized and its use has been discouraged. Nevertheless, it is in use in many major businesses all over the world and there is no reason to believe the indicator would be of worthless. Hence, the secondary research question is formulated:

> *Is there a relationship between customer referral intentions and customer specific success rate of sales leads?*

In this study, sales as the activity of a sales team, depth of customer relationship, focus of customer relationship, and performance of a sales team are operationalized. The Net Promoter Score (NPS) is used to indicate the extent of customer referral activity as it captures the likelihood of a customer to recommend a company to his or her friends or colleagues. The outcomes of NPS are measured through customer specific success or hit rates of sales leads.

The managerial need for deeper understanding of the customer relationships, resulting satisfaction, loyalty and word-of-mouth activity is indisputable. With better prescriptions from academia and practitioners, managers could firstly, assess better the costs and benefits from specific

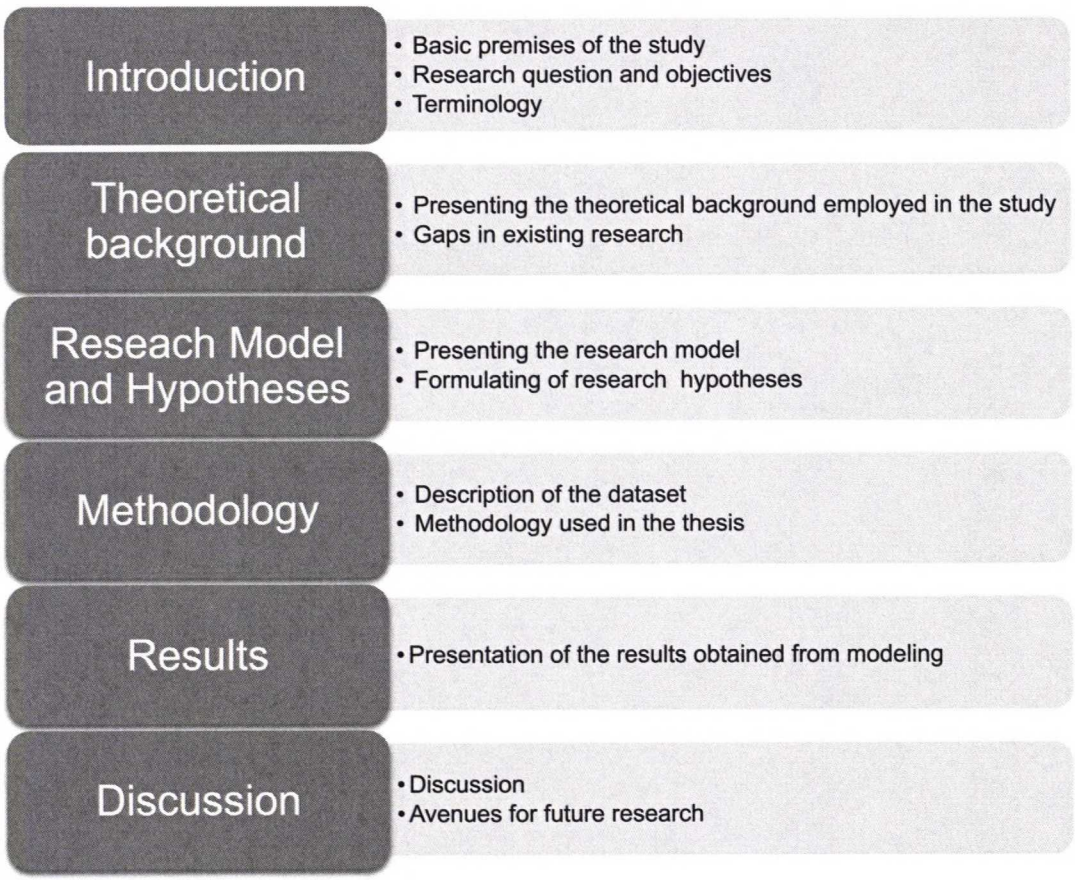
sales and marketing activities targeted towards customers, and secondly, motivate and communicate the necessary actions in the organization. Despite customer-centricity having gained popularity during the past decades, the financial effects of customers' evaluations of the relationship, as an example, are in many cases not thoroughly understood. This, in turn, may have tendency to shift managerial focus to short-term financial results (Brief & Bazerman, 2003; Mizik & Jacobson, 2007a; Mizik & Jacobson, 2007b; Mizik, 2010). As these connections are often lagged, interconnected and hard to measure, many executives are left only with a gut feeling regarding the effectiveness of the actions taken to boost business through customer experience initiatives (Evanschitzky, Wangenheim, & Wünderlich, 2012).

1.3 Methodology

The study applies conventional hypothesis testing to test proposed relationships. These hypotheses are tested against a dataset from the involved business-to-business company consisting of real sales activities and respective NPS scores in Finland and Germany between 2008 and 2011. To capture the real business relevance of these issues, sales data and NPS is linked to the success of the salespeople of the company. This model and data are analyzed with partial least squares (PLS) structural equation modeling (SEM). SEM methods provide path coefficients with positive or negative signs to evaluate the strength and the direction of the relationship modeled. The significance of the path coefficients is measured through method-specific test statistics following Student's t-distribution and their respective p-values. The coefficient of determination (R^2) is used to depict the overall explanatory power of the model.

1.4 Structure

This thesis is divided into six chapters. The introduction chapter presents the study, its basic premises and defines the terminology used in the study. The second chapter introduces the theoretical background, consisting of recent developments in theory, previous studies and gaps in research. The premises of the study are constructed through defining the research model and formulation of hypotheses in the third chapter. The fourth chapter introduces the research dataset along with the methodology applied in the thesis. In the fifth and the last chapter the results are presented and followed by a discussion part dealing with the ideas arisen from the research and directions for future research.



2 Theoretical background

2.1 Customer relationships

Customer base and relationships keep companies running. These relationships ultimately form the value of the customer base, or customer equity, through the cash flows running into companies.

The contribution to the actual cash flows can be measured in various ways. One of the concepts for measuring the contribution of a customer relationship is Customer Lifetime Value (CLV) (Dwyer, 1989; Venkatesan & Kumar, 2004) which captures the net present value of a customer relationship. Through its simple definition – subtraction of all costs related to serving the customer from the respective customer revenues – it has gained acceptance as one of the most popular metrics to measure profitable customers.

Also different concepts, such as customer referral value (CRV), have been suggested (V. Kumar, Petersen, & Leone, 2010) to separate the effect of referrals from the value of customer relationships. CRV is used to measure the value of the referring activity conducted by a customer, which is contributing to lifetime values of newly acquired customers or to existing customers' purchase behavior.

In general, CLV of a customer can be defined in terms of breadth, depth and length of the customer relationship (Bolton, Lemon, & Verhoef, 2004). The more the customer buys different products and services from the supplying company, the more it generates revenues, and hence, defines the breadth of the relationship. Depth of relationships can affect frequency of purchases

and simultaneously, allow the firm to offer higher value products or services often provided with higher margins. Length defines the probability of the customer to continue purchases from the specific supplier, and thus, depicts the retention of individual customers. While there is a multitude of different dimensions affecting customer purchase behavior, all of these three factors are affected by the perceptions of the customer towards the supplier (Bolton, Lemon, & Verhoef, 2004).

In addition to the quantity and overall volume indicators, the lifetime value is also affected by pricing decisions. It is known well that customers differ in their profitability, but the characteristics affecting the levels of profitability are more complex in nature. There is evidence that profitability of a customer is related to e.g. the length and life cycle stage of the relationship, exhibited cross-buying behavior and certain marketing efforts targeted towards the customer (W. J. Reinartz & Kumar, 2003).

2.2 Sales in value creation and appropriation

Ultimately, the value companies are able to appropriate and turn into CLV is affected by the value that is created for customers. Customer value, as a concept closely linked to customer satisfaction, is widely defined as the subjective trade-off between benefits ("what you get") and sacrifices ("what you give") within the different use situations. This value can be further divided into desired value, a priori or perceived value and a posteriori or received value, depicting respectively the needs or desires of the customer, the expected value presented by the salesperson and lastly, the actual evaluation of the value received (Blocker & Flint, 2007). Resulting

satisfaction is affected by the perceptions of the received value in comparison with competing products or presumed solutions to the specific problem (Woodruff, 1997). This links the concepts of customer value to the ex-post perceptions of the transaction or longer-term view over the relationship lifetime.

Value creation and appropriation is the process in which the company and its customers interact providing benefits for both parties. From the selling firm's point of view, value is created e.g. through product or service offerings, communicating the benefits to customers, more efficient interaction, and through customization and adaptation (Cannon & Homburg, 2001; Ulaga & Eggert, 2006; Woodruff, 1997).

Vargo and Lusch (2004) brought about the notion of co-creation in delivery of products and services. Their new logic of marketing, the Service Dominant Logic, emphasized the phases of sales, delivery and adapting the product to fully utilize its value creation possibilities. They proposed that value, by nature, is co-created between the interacting parties and viewed value creation through a wider lens than just purchasing products or services:

> *"As we have noted, goods are appliances that provide services for and in conjunction with the consumer. However, for these services to be delivered, the customer still must learn to use, maintain, repair, and adapt the appliance to his or her unique needs, usage situation, and behaviors. In summary, in using a product, the customer is continuing the marketing, consumption, and value-creation and delivery processes."*

Value appropriation, in its part, is the share of value directed to the selling firm through a successful sales process. Value appropriation can be measured through e.g. profitability and customer lifetime value (CLV) and hence, it is very crucial to the long-term success of the selling company (Mizik & Jacobson, 2003).

In this context, sales force lies in the very middle point of the value creation-appropriation process. Firstly, they can communicate value propositions to customers (J. C. Anderson, Kumar, & Narus, 2007). In this process, they not only share their expertise and promote the benefits of the offering, but also build trust between the parties (Doney & Cannon, 1997).

Secondly, they translate customers' current and future desires back to the company and simultaneously co-create value with the customers (Vargo & Lusch, 2004). Co-creation covers the whole interaction process in which the value is not arising from the products or services themselves but from the specific adaptations, use cases and unique benefits arising from the bundle of provided product or service elements.

Finally, sales people appropriate part of the value resulting from the sales and marketing activities and investments within the relationship for the selling firm (Blocker, Cannon, Panagopoulos, & Sager, 2012).

2.3 Comprehensive marketing activity – profit models

Customer purchasing behavior and ultimately, customer lifetime value, is affected by the way customers perceive the relationship with the supplier and the supplier itself. Furthermore, these perceptions are affected not just by the

value received through products or services purchased, but also through sales and marketing instruments employed by the selling firm.

To combine the effects of marketing actions, customers' perceptions and relationships outcomes under a single umbrella, a number of different marketing activity-profit models have been presented. From more simple direct satisfaction-profit links (e.g. E. W. Anderson, Fornell, & Lehmann, 1994), scholars have gradually moved to more holistic models comprising of individual marketing and sales activities, resulting customers' perceptions, and long-term financial benefits for the engaging company (e.g. E. W. Anderson & Mittal, 2000; Bolton, Lemon, & Verhoef, 2004).

Specifically the effect of sales activities is studied in this thesis, and thus, models involving relationships from marketing and sales activities to customer value and company profits are focal. Therefore, in value creation and appropriation process, Customer Asset Management of Services model (CUSAMS) is useful. CUSAMS views marketing instruments as leading to customers' relationship perceptions and, consequently, to customer behavior and financial outcomes measured by the lifetime value of the relationship (Bolton, Lemon, & Verhoef, 2004).

The marketing instruments are divided into six categories: price, service quality programs, direct marketing promotions, relationship marketing instruments, advertising and communication and distribution channels while customers' relationship perceptions include price perceptions, satisfaction and commitment.

In accordance to the customer lifetime value (CLV) theory (e.g. Venkatesan & Kumar, 2004), customer behavior is manifested in length, depth and breadth of customer relationship CLV is measured through the three dimensions combined with overall pricing, resulting in profits accrued during the lifetime of a customer relationship.

CUSAMS also covers the moderators affecting the marketing – satisfaction – profit chain. Switching costs, competitive environment and perceived risks are presented as proposed moderators of the relationships. Firstly, switching costs are specifically important to the effectiveness of marketing instruments. In certain industries, such as monopolies, dissatisfied customers may continue to purchase, as no other suppliers are available. In this kind of situation, the authors expect satisfaction to be less effective in determining purchasing behavior. Secondly, highly competitive environment affects the relative effectiveness of marketing instruments. As customers are more aware of competitors' offerings and may be also solicited by the competing companies, their price sensitivity and overall sensitivity to sales-increasing activities may decrease. Finally, the perceived risk of customers is proposed to have an impact on marketing instruments' effectiveness. Perceived risks in terms of product or service quality are considered the most important risk factors in the model as companies or individuals are purchasing critical products or services. Mitigation of these risks has been found to increase customers' purchasing probability. Therefore, the implication of that proposition is that customers are more willing to respond to sales-increasing activities if their perceived performance risk in the market is higher. Although

the model is intended for service-oriented industries, there is no reason to expect that these rather general propositions would not work in more product-oriented industries as companies are changing their operating logic to more service-dominant direction for product offerings, as well (Vargo & Lusch, 2004).

While sales activities are not explicitly modeled in CUSAMS, they play a vital part in many of their constructs, and, arguably, in relationship perceptions. Most notably direct marketing, relationship marketing and communication are strongly related to sales, especially in business-to-business contexts (Grönroos, 1996; Weitz & Bradford, 1999). Specifically in relationship marketing context, the role of sales force is even more crucial (Palmatier, Dant, Grewal, & Evans, 2006). Furthermore, it is expected that in business-to-business contexts the role of promotional marketing instruments is lower than the CUSAMS model suggests. Considering also the facilitative role sales force has in the value creation-appropriation process (J. C. Anderson, Kumar, & Narus, 2007; Vargo & Lusch, 2004), it is expected that the role of sales force in determining relationship perceptions is substantial (Blocker, Cannon, Panagopoulos, & Sager, 2012; Bolton, Lemon, & Verhoef, 2004).

As another approach to model the role of sales force in value creation-appropriation process, Blocker et al. (2012) defined value creation from sales force perspective as the sales force related resources and the dialogue in between the customer and the selling firm. They view firm value propositions as a function of areas consisting of customer value knowledge and tracking, adapting and anticipating value. Secondly, value is co-created (Vargo &

Lusch, 2004) in relational processes and encounters, as well as in organizational ties. These value-creating activities are transformed into customer experience, and ultimately to retention and firm performance, like in the CUSAMS model.

As well as Bolton et al. (2004), Blocker et al. (2012) view the clear need to specifically investigate the interrelationships between different areas of marketing and sales to customer perceptions and behavior.

2.4 Relationship perceptions – satisfaction, loyalty and referrals

A number of companies have successfully grown their business e.g. through effective and satisfaction-increasing relationship activity (e.g. E. W. Anderson, Fornell, & Lehmann, 1994) or through generating positive and image-improving word-of-mouth activity (e.g. Schmitt, Skiera, & Van, 2011). These companies have been able to improve their perceived service performance, and within a while, they have turned these investments into new customers or increased purchasing activity from existing customers in terms of volume or value. These phenomena have been specifically studied in firms operating in industries where acquisitions costs relative to average revenues have been high and barriers to change supplier low. Thus, firms offering e.g. financial services have widely adopted satisfaction, loyalty and word-of-mouth increasing activities. However, beneficial customer behavior related to satisfaction, loyalty, or word-of-mouth are not limited to these industries. While the actions may differ across industries, some subset is likely to exist in virtually every industry, eventually affecting shareholder value (E. W. Anderson, Fornell, & Mazvancheryl, 2004). Although academic

research has focused more in business-to-consumer settings, findings from business-to-business contexts have also emerged. (e.g. Homburg & Stock, 2004; Lam, Shankar, Erramilli, & Murthy, 2004)

Customer satisfaction as a field of study is considered wide in literature and it has been researched extensively since the 1950s. More recently, Yi (1989) concluded a literature study on customer satisfaction and defined it either, and more commonly, as a process of consumption spanning all phases and its evaluation, or an outcome, where of the emotional or psychological response is considered.

The consequences of customer satisfaction have been studied, especially in the business-to-consumer setting. Yi (1989) found three types of consequences for customer satisfaction: taking no action, switching brands or curtailing patronage, complaining directly or passing negative word-of-mouth. Lam et al. (2004) studied concepts of customer value, customer satisfaction, customer loyalty in terms of recommendation and repeat patronage, and switching costs. They confirmed the findings in existing literature that customer satisfaction is positively correlated to both customer retention and recommendation. Jones & Sasser (1995) studied the strength of the repeat purchases and found out that "satisfied" customers were six times less likely to purchase as "totally satisfied" within the next 18 months in an office product context. Based on these pieces of research, loyalty is connected to customer satisfaction but the relationship is not linear and varies across industries.

The relationship between customer satisfaction and supplying firm performance has been broadly studied and a consensus exists about their positive non-linear relationship (Aksoy, Cooil, Groening, Keiningham, & Yalcin, 2008; E. W. Anderson & Mittal, 2000). As a result, customer satisfaction is considered one of the most universally accepted measures of a firm's competitiveness and marketing performance (Morgan, Anderson, & Mittal, 2005a). Especially in business-to-consumer settings, customer satisfaction has been seen to result in repeat purchases, customer retention and positive word-of-mouth (T. O. Jones & Sasser, 1995; Lam, Shankar, Erramilli, & Murthy, 2004; Luo & Homburg, 2007).

Customer loyalty, an adjacent concept to satisfaction, can be seen as a deeper commitment, extending from mere feeling of satisfaction. Oliver (2010) presented a following comprehensive definition for customer loyalty in terms of repeated purchasing:

> *"a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brandset purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour"*

Despite some specific contrary findings (W. J. Reinartz & Kumar, 2000), longer term customer relationships are in general considered more profitable for companies as costs of communicating and transacting (Cannon & Homburg, 2001), as well as, costs of customer acquisition are lower for longer relationships (e.g. Reichheld & Teal, 2001). Furthermore, loyal

customers are expected to have higher propensity to recommend that particular product, service or company to other people (Zeithaml, Berry, & Parasuraman, 1996).

Word-of-mouth – a general term of customer referrals and recommendations – has received lately significant interest mainly because the internet and social media has increased consumers' mutual interaction and new digital recommendation-based applications have gained ground and revolutionized entire industries (Keiningham, Cooil, Aksoy, Andreassen, & Weiner, 2007).

Often word-of-mouth is recognized as informal communications between private parties about product or service evaluations (E. W. Anderson, 1998) and is often divided into either positive or negative word-of-mouth. In general, word-of-mouth is recognized as one of the consequences resulting from high or increased customer satisfaction or a key part in marketing activity – profit models (e.g. E. W. Anderson & Mittal, 2000; Bolton, Lemon, & Verhoef, 2004; Keiningham, Cooil, Andreassen, & Aksoy, 2007; Rust, Zahorik, & Keiningham, 1995).

Furthermore, the financial impact of customer referrals has been of interest, and several studies support the positive relationship between (both online and offline) word-of-mouth and increased sales and profitability (e.g. V. Kumar, Petersen, & Leone, 2010; Schmitt, Skiera, & Van, 2011). There have been findings supporting higher relative importance of either negative (e.g. Arndt, 1967) or positive (e.g. East, Hammond, & Lomax, 2008) word-of-mouth. On the positive side, Schmitt et al. (2011) found out that the value of

a referred customer was 16 percent higher than the value of a non-referred new customer and on the contrary, Luo (2009) discovered that negative WOM had substantial impact on short and long-term cash flows within the airline industry.

One of the reasons behind the interest towards WOM as a marketing instrument has been the possibility to reach out large numbers of customers at a fraction of cost. This is specifically interesting in industries, where the size of customer base is highly dependent on acquiring new customers and there is an abundance of providers available at customers' disposal. On the contrary, in these industries the consequences of negative WOM can be also really severe. In really selected and focused customer relationships, referral behavior is not necessarily too critical if client base is changing only occasionally and thus, building satisfaction and loyalty are more critical to ensure the continuation of current relationships.

Despite the examples of findings, WOM as a concept is still relatively young and is mostly discussed in the business-to-consumer context. Thus, the exact mechanisms in more complex business-to-business networks are not that well known.

2.5 Net Promoter Score as an indicator of referrals

As customer referrals and word-of-mouth seem desirable from companies' perspective, recommendation intent of customers is one of the gauges for managers to approximate the health of their customer relationships. One such metric is the Net Promoter Score (Reichheld, 2003).

The Net Promoter Score concept was presented in a Harvard Business Review article "The One Number You Need To Grow" (Reichheld, 2003) providing with an ultimate question: "How likely is it that you would recommend our company to a friend or colleague?" The respondents, answering on the scale of zero-to-ten, would be classified as "Active Promoters", "Passives" or "Detractors", based on their answers. Subtracting the share of detractors from the share of active promoters yields the Net Promoter Score.

Although Reichheld views NPS more of a gauge for recommendation intent, he still implicitly prescribes the metric for satisfaction and loyalty oriented measurements, probably due to the close nature of these concepts. However, in this study, for the sake of simplicity, NPS is viewed as a recommendation intent figure.

This rather sensational article also received immediate feedback. It was viewed as "simplistic, naïve and presumptuous" (Kristensen & Westlund, 2004) or "overly simplistic - and potentially a very dangerous piece of advice" (Morgan & Rego, 2004).

Not surprisingly after the initial criticism, "The Ultimate Question", as Reichheld formulated the statement in his reprint (2011), has got mixed reception among scholars. Keiningham et al. (2007) tried to replicate Reichheld's study and found no supporting evidence to the claim of being "the single most reliable indicator of a company's ability to grow" and could not show the connection between NPS and ability to grow in a narrow sample. Furthermore, he found out Net Promoter's inability to outperform

ACSI (American Customer Satisfaction Index) and thus the findings did not support the claim of Net Promoter being superior to other metrics. Reichheld has acknowledged that NPS is not the best predictor of growth in every single industry, but in general, proved to be the most effective determinant of loyalty and growth (Reichheld, 2003).

Morgan & Rego (2006) approached NPS from slightly different angle, comparing customers' actual stated behavior instead of behavior intentions, as Reichheld defined his metric, fueling even more debate (Keiningham, Aksoy, Cooil, & Andreassen, 2008; Morgan & Rego, 2008). Also Grisaffe (2007) questioned Reichheld's propositions. He pointed out the potential weaknesses, for example, sufficiency of recommendations alone to predict business performance, and as advocated by Reichheld, "the one-and-only" nature of the indicator.

However, the question itself and its power as a customer satisfaction, or perhaps even a loyalty metric, comparable e.g. to the ACSI, have not been heavily criticized (e.g. Grisaffe, 2007; Keiningham, Cooil, Andreassen, & Aksoy, 2007). Furthermore, there are no recognized and peer-reviewed articles that have used raw data from companies using NPS. The replicated studies conducted by Keiningham et al. (2007) and Morgan and Rego (2006) have used the actual metric instead of the interim zero-to-ten answers, which could have caused further bias (Grisaffe, 2007). These trials have been conducted on company level, not analyzing the responses of individual customers. Therefore, the criticism has been mostly targeted to Reichheld's assertions as opposed to the functioning of the metric itself.

Nevertheless, the net promoter measuring has been adopted by a significant number of large companies around the world, of which some have even included it in their financial reporting (Reichheld, 2011). There are also numerous different implementations of NPS. Some companies have decided to just follow the basic principles of the Likert-scale indicator, some have formed their own scales and some have adopted other ways to measure customers' perceptions (Reichheld, 2011). Therefore, it cannot be concluded that NPS as a concept indicating, at least to some extent, recommendation intent would be invalid. Instead, given the widespread use and the plethora of NPS data available, careful utilization and use of the measure indeed provides a way to interpret customers' recommendation intent, as Reichheld's question itself suggests.

2.6 Role of sales in creating referrals

In satisfaction, loyalty and word-of-mouth related literature the importance of sales activities has been neglected. In other complementary tracks, scholars have investigated e.g. salesperson characteristics in formation of customer satisfaction (Homburg & Stock, 2005). Similar studies have been performed by Goff et al.(1997) investigating selling and customer orientation, Ahearne et al. (2005) analyzing the effects of leadership empowerment to satisfaction and Jap (2001) on the role of sales force in creating satisfaction in different phases of customer relationship, to name a few.

Even though there is some prior research mostly in sales-satisfaction links, few of the studies have been dealing with business-to-business sales with real-world data, focusing mostly on surveys.

The role of sales force could be expected to be high especially in industries where salespeople form an important part of the customer interface. As an example, providers of industrial goods with high complexity have to invest a large number of salesperson time understanding customers' needs and in many cases act as the sole contact between the customer and the supplier. In these relationships, also referrals, supplier prior references and perceptions of the relationships matter more as partners are selected and retained with care due to the complexity and business criticality of the issues. Therefore, optimizing the sales organization and account management for in a satisfaction and referral activity increasing manner could be extremely valuable. On the contrary, relationships with relatively few salespeople encounters or relationships that are e.g. served through telesales, the role of salespeople in creating referrals could be expected to be smaller.

Considering the large role of sales force in customer value creation and appropriation process (Blocker, Cannon, Panagopoulos, & Sager, 2012), the connection between the activities conducted by the sales force and customers' recommendation intent needs to be understood more thoroughly.

3 Research model and hypotheses

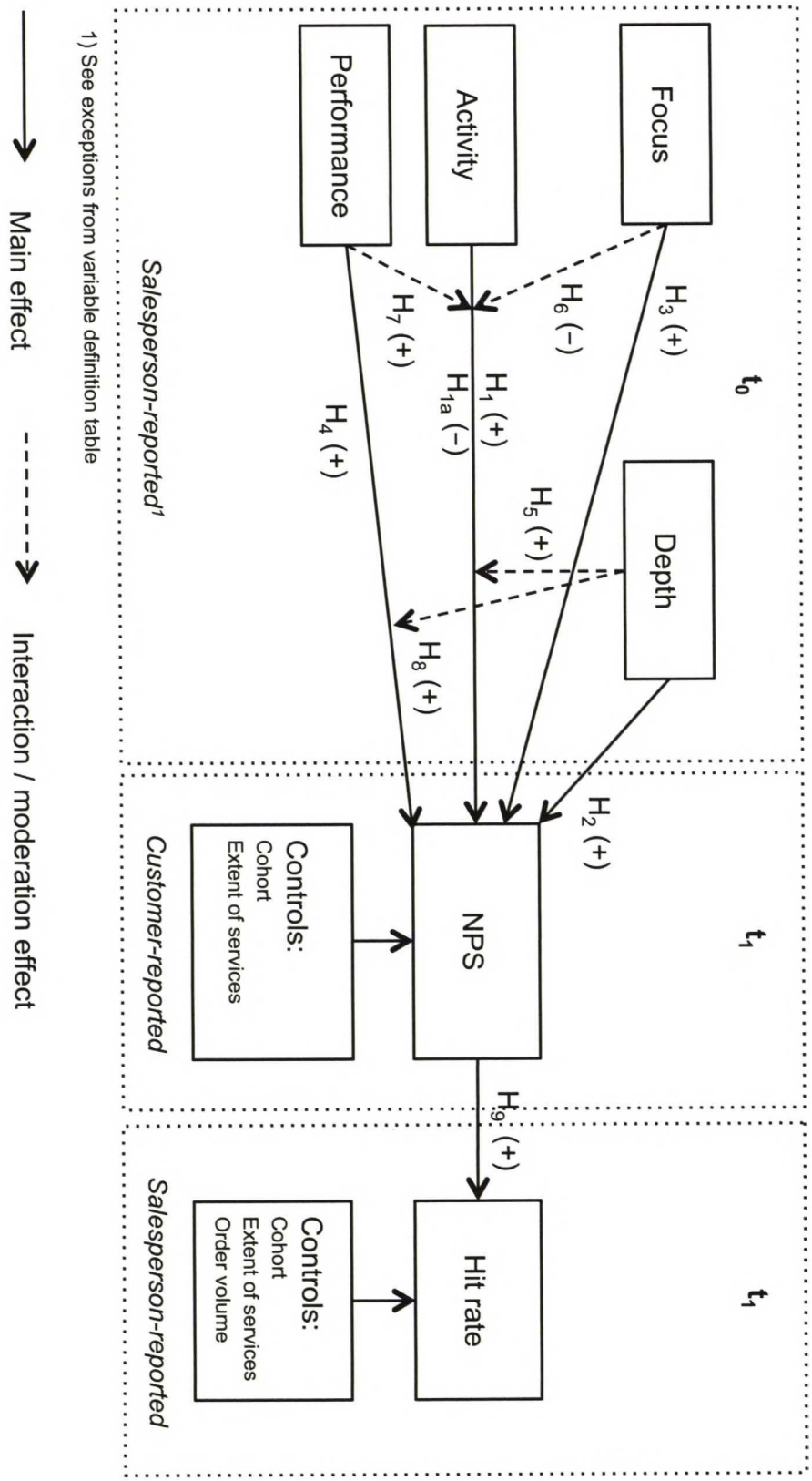
3.1 Research model

The identified gap in research leads to study sales force specific indicators vis-à-vis referring intent metrics and furthermore, comparing them to the outcomes of the relationships. This study contributes to the literature by extending the prior research to real-world metrics and systematically examining different areas of sales and their connections to customer satisfaction-loyalty metrics and the outcomes. As not much prior research in the field is conducted, the study is intended as a more exploratory-natured discussion-opener to the important subject.

The conceptual framework is based on the CUSAMS framework by Bolton et al. (2004). This provides with the overall view to the marketing activity antecedents of customer relationship perceptions, and the consequences of the reported word-of-mouth activity. To cover the sales force related theory in the study, the CUSAMS model was supplemented by the theoretical model from Blocker et al. (2012) accounting for the role of sales force in creating customer satisfaction, retention and referrals. With the help of the latter model, the sales force related activities and properties are translated to antecedents of referral intentions.

The research framework is presented in figure 1.

FIGURE 1: RESEARCH FRAMEWORK



3.2 Hypotheses

Despite the value creation possibilities sales force possesses, there are many different modes sales force is configured to operate. Due to differences in purchasing volumes or product ranges, not all of these modes are necessary value, satisfaction or word-of-mouth –increasing as costs-to-serve are being optimized. As an example, Zoltners, Sinha and Lorimer (2006) discuss the different roles of salespersons, asserting that especially in post-maturity life cycle stages sales force should be optimized for efficiency and effectiveness. In some occasions, salespersons are divided into "hunters", aiming to increase the customer base or "farmers", aiming to maximize the utility from existing customer relationships. Although being suitable to specific customer relationships, especially considering short-term profits, this kind of allocation could have drastic consequences to the referring behavior of these customers.

Amount of sales activities forms the base of active customer relationships and is also the ex-ante source for value creation possibilities. In addition to affecting the accumulated knowledge of different customers, this area provides signs of the actual presence of the sales force at the customer interface and propensity to seek value creation possibilities. Considering especially different roles assigned for salespersons, the more extra-office time spent on listening to customers' problems and requirements, the better the offered solutions should reflect the latent needs of the customer. On one hand, increasing activities may create positive effects through more frequent customer connections (Cannon & Homburg, 2001) but, on the other hand,

Palmatier et al. (2008) studied the role of relationship marketing activities and found that not all increases in relationship marketing efforts were financial performance-increasing. In their findings, it was more important that the amount of relationship activities were adapted to the needs of the specific customer. This leads to the first hypothesis:

H_1: *Amount of sales activities has a positive effect on NPS.*

Alternatively, the excessive sales activity may lead to more superficial role of the sales force and misalignment of resources if too little resources are devoted to accounts requiring more sales force attention. The hunter configuration described earlier would be one of the examples involving this effect. If these salespersons are too heavily focused on acquiring a number of new customers, results in worst cases could be rather catastrophic. Due to this, an alternative hypothesis to the positive effect is defined:

H_{1a}: *Amount of sales activities has a negative effect on NPS.*

Depth of customer relationship, in its part, reveals about the depth of inter-organizational or interpersonal contacts between the seller and the customer. The depth and interpersonal contacts play a key role in relationships (e.g. Ulaga & Eggert, 2006) and their effects on customer satisfaction and loyalty have not been thoroughly studied. As the frequency-depth aspect of relationships has already been discussed, the classifications of key account management and the respective plans created for the customer also partly depict the role of depth and systematicity employed at the specific relationship. Also Bolton et al. (2004) proposed that customers served

through stronger social or economic bonds will have higher levels of satisfaction and commitment. This leads to the second hypothesis:

H_2: *Depth of the customer relationship has a positive effect on NPS.*

Focus of the customer relationship is defined in this study as the relative significance of one salesperson in a sales team for a given customer. The less salespeople active in a single relationship, the less coordination is required from the selling firm. If the coordination is not sufficient, the customer relationship may not reach its fullest potential (E. Jones, Dixon, Chonko, & Cannon, 2005). On the contrary, if relationship is left too shallow, perception of trust and expertise may be weak (Liu & Leach, 2001). In general, more people connected with the account may also imply more tightly bonded relationship between multiple nodes – not just a single salesperson—buyer relationship (e.g. Tuli, Bharadwaj, & Kohli, 2010; Workman Jr., Homburg, & Jensen, 2003), but in this study, only responsible salespeople for certain sales leads are accounted for. However, as satisfaction and referral intents vary between different decision-makers and as best practices of effective team selling and running larger sales teams are rather young, buyers are expected to appreciate more focused sales teams. Thus the third hypothesis is formulated as follows:

H_3: *Focus of the customer relationship has a positive effect on NPS.*

Performance aspects of sales force are probably the most important measures in the whole sales process from sales management perspective. This encompasses the profitability and the results of sales activities. In many

theories customer value is seen as an important antecedent of customer's perceptions of the relationship (Blocker, Cannon, Panagopoulos, & Sager, 2012). Also factors close to performance of sales force, such as expertise, have been found to have an effect on word-of-mouth activity (Palmatier, Dant, Grewal, & Evans, 2006)

As performance is depicted as an ex-post measure of (co-)created and appropriated customer value, salespeople successful in both areas should exert positive effect on NPS. One hand, performance in terms of profitability and success rates could be negatively correlated but, on the other hand, together they signal high value creation and appropriation behavior for the sales team. Thus, the fourth hypothesis becomes:

H_4: *Performance of the sales team has a positive effect on NPS.*

As these already formulated hypotheses consider relationships that are directly influencing the net promoter score, there is prior research that would reason investigating the possible interaction and moderation relationships as well. For example, Franke & Park (2006) hypothesized the possibility of adaptive selling behavior to interact with experience or other salesperson specific variables. Also Stock & Hoyer (2005) studied moderating effects of e.g. empathy, expertise and reliability to customer-orientation. All these appeared to have statistically significant moderating effect to customer-side perceptions of customer-orientation of the salesperson.

As more concrete and observed links are dealt with, it is specifically tested in the study whether these salesperson-level variables have combined effect to

the reported net promoter score. Blocker et al. (2012) suggest relationship dynamics to have a moderating role on the role of sales force in value creation. Different relational context in which the salespersons work with the clients differ in terms of breadth, depth and life cycle stages, as examples. The deeper salespersons with higher value creation potential interact within their customers, the better understanding they should have on the customer and thus, the first interaction hypothesis is formulated as follows:

H_5: *Depth of relationship has a positive moderating effect on activity to net promoter score relationship.*

As the effect of focus of the sales team, it can be hypothesized that combined with activity, this would yield positive perceived results from the customer side. In this case, the team would express active sales behavior while retaining sufficient focus towards the customers. Therefore, in these relationships, the personal connections between the seller and buyer would be tighter despite the either positively or negatively affecting activity. Thus:

H_6: *Focus has a positive moderating effect on activity to net promoter score relationship.*

Like defined earlier, activity is the necessary requirement for sales force value creation to occur. However, it is suspected that higher propensity of success in conjunction with activity will lead to improved value co-creation and ultimately to higher satisfaction. As activity is more related to what salespersons do, it is complemented by performance which should reflect more on what they possess (Cravens, Ingram, LaForge, & Young, 1993).

Furthermore, Baldauf & Cravens (2002) studied the moderating relationship between salesperson capabilities and outcomes finding support to their hypotheses of capabilities moderating adaptive selling and sales planning performance relationships. Therefore, the hypothesis is defined as follows:

H_7: *Performance has a positive moderating effect on activity to net promoter score relationship.*

Similarly to the previous hypothesis, it can be formulated that relationship depth in connection with performance, relates positively to net promoter score.

H_8: *Depth has a positive moderating effect on performance to net promoter score relationship*

Finally, Net Promoter Score is, according to Reichheld (2003), a valid metric to measure customers' intended word-of-mouth activity. Although not in the main focus of the study, the heavily criticized capabilities of NPS should be tested for managerial importance. If NPS is really working the way Reichheld (2003) has proposed, the effects of individual marketing or sales activities should flow through it first generating satisfaction and referral intent, and eventually affecting the purchasing behavior of other individual customers. This link would allow efficient use of the results from previous hypotheses and would also justify the use of NPS among practitioners. Due to temporally limited data, it was decided to adopt the hit rate of submitted tenders to the specific customer as a proxy of business performance on the level of individual customers. This is an extremely valid sales effectiveness measure

in non-contractual settings where customers are provided with multiple options from different competitors. In these cases, positive word-of-mouth can be extremely valuable, especially if there is no prior experience with the supplier. Considering the widespread use of NPS and despite the criticism (Grisaffe, 2007; Keiningham, Cooil, Andreassen, & Aksoy, 2007), leads to test Reichheld's propositions and define the following hypothesis:

H_9: *Customer recommendation intention is positively related to hit rate*

All hypotheses have now been formulated to test the effects of sales force on customer satisfaction and referral value. Next, the data used in the study is introduced along with the methodology to investigate the hypothesized effects.

4 Methodology

4.1 Data

All empirical data is based on salesperson-reported CRM system, financial reporting and NPS datasets of a non-disclosed European multinational business-to-business company active both in providing investment goods and services to its customers with face-to-face sales channels. The analyzed customer data is limited to customers buying mainly products from the company and the majority of customer activity is thus non-contractual and transaction-based.

The company has surveyed Net Promoter scores bi-annually during second and fourth quarter from a sample of customers with representative shares of different industries and key account management classification levels. A third party has been used to conduct these interviews. Units in different countries have selected the samples.

Account- and sales team-related financials and are based on the customer and sales hierarchy of the company. All data sets were downloaded and analyzed during spring 2012.

Ideally, the levels of customers' relationship perceptions vis-à-vis salespeople or relationship performance should be measured immediately after the transaction was finalized. However, this was not possible with the dataset employed in the study. Thus, annual activity of salespersons had to be connected through a varying number of past sales cases to the respective annually surveyed NPS scores of the customer.

Firstly, all accounts were aggregated considering all separate branches of the customer as a single entity regardless of their implementation in the systems, averaging annually their NPS scores and retrieving their aggregated financials. Both second and fourth quarter answers were averaged as a single annual measure, if the customer was surveyed in both occasions.

Secondly, salespersons were connected to these specific accounts through their activity in terms of created or closed sales leads. The sales team serving a single customer was determined by sales activity to the customer within a period starting from January in the previous year and ending in March on the year of the NPS interview. The salespersons active in the team were determined by the sales lead ownership within the CRM system. Other people active within the specific sales lead are not reported and thus, owners of the sales leads are considered to operate alone. The activity for a single salesperson was weighted with the respective sales lead value to the specific customer. In roughly half of the accounts the salesperson had not been accompanied and non-active accounts have been omitted from the research. Customers included were served either in Finland or Germany.

Thirdly, three different cohorts were used to analyze the effects. The first cohort was surveyed in 2009 and thus, their sales team's activity was included from year 2008. The second cohort was surveyed a year later, in 2010 and the sales force figures serving those customers is taken from 2009. The third and final cohort was surveyed in 2011 and their respective figures

are from year 2010. All outcome variables used were from the same year as the survey.

4.2 Measurement

The research framework is evaluated as a partial least squares path (PLS) model. Firstly, PLS models deal well with real-world applications where normality is more rare and sample sizes smaller (W. Reinartz, Haenlein, & Henseler, 2009; Wu, 2010). Secondly, PLS does not suffer that badly from non-convergence issues of covariance-based structural equation modeling and is able to produce interpretable results at such sample sizes handled in the study (W. Reinartz, Haenlein, & Henseler, 2009). Thirdly, PLS performs well with non-normal distributions found in a number of variables in the study (W. Reinartz, Haenlein, & Henseler, 2009). SmartPLS 2.0 M3 employing an easy-to-use graphical interface was used for construction and assessment of the inner and outer model.

The measurement items were nested in six latent constructs. The first construct, "Activity", was used to refer to the number of occurring sales leads and number of different customers. It was formed through the average number of created and closed sales leads in that specific year for the members of the sales team serving the specific customer. These were supplemented with the number of customers at the responsibility of the sales team.

The second construct, "Relationship depth", was used to indicate the attention given to a certain client in terms of deliberate account planning and number of customer visits. It consisted of a dummy depicting the existence of

a formal account plan for the account, for that specific year, of the dummy depicting the possible strategic account status of the customer and lastly, the amount of customer visits the sales team performed for the specific account.

The third construct, "Relationship focus" was used to refer to the relative importance of one particular salesperson in a sales team in terms of sales. This included the relationship specific number of won sales leads per salesperson and monetary value of all sales leads per salesperson.

As the final antecedent, the fourth construct, "Performance", was used to refer to the share of won and lost sales cases by a sales team and the produced contribution margin ratio for the products sold. The construct included the average hit rates and contribution margins of the sales team across all their customers.

Lastly, fifth and sixth constructs were used as single-item measures for hit rate and NPS. Hit rate was calculated as the relative share of won leads of all the sales leads to the specific customer in that year. NPS was used as the 11-point Likert indicator to circumvent any problems arising from the “Active Promoters” – “Detractors” share subtraction. The composition of the latent constructs used in the study can be seen in table 1.

Prior to PLS modeling, the data was subjected to exploratory factor analysis (EFA) to map available sales team figures to different latent constructs.

The constructed outer measurement model was also placed under reliability and validity evaluation (Vinzi, Chin, & Henseler, 2010). Firstly, content validity was evaluated in the hypothesis formation phase and complemented

with EFA using principal component analysis with Varimax rotations. EFA supported the hypothesized factorial considerations on activity, depth, focus and performance factors, and the resulting factors with their respective items are reported in table 1.

Secondly, constructs were checked for indicator validity. The factor loadings of contribution margin and monetary value created per salesperson were below ordinary λ=.7 (Vinzi, Chin, & Henseler, 2010). but well above the λ=.4 level proposed by Hulland (1999).

Thirdly, the constructs were assessed as mutually consistent indicators through their construct reliability. This was evaluated through Cronbach's alphas and composite reliability figures seen in table 2. The majority of factors are well above the conventional limits of .6 while focus being still above .5 (Bagozzi & Yi, 1988; Hair, Black, Babin, & Anderson, 2010). As the fourth step, convergent validity was checked through evaluating average variance extracted (AVE). All constructs, except for interaction term of Depth and Performance with AVE of .459 fulfill the required level of .5. However, as the difference from the suggested lower bound is small and as the study is more exploratory-oriented and experimental, this was considered acceptable but any inference was to be done with caution. Lastly, discriminant validity of the constructs was checked with the method from Fornell & Larcker (1981) comparing the square roots of AVE to correlations between other constructs. All items passed this test. All interactions were constructed in SmartPLS using a priori standardized variables to avoid collinearity issues.

The reliability of the inner model was explored through bootstrapping methods. (Henseler, Ringle, & Sinkovics, 2009). Bootstrapping resamples a test distribution that is derived from the original analysis distribution and is alike in its statistical details. Bootstrapping sample size of 500 was used to retrieve the t-test figures. Sign changes were accounted for at individual level as suggested by(Henseler, Ringle, & Sinkovics, 2009). The t-test results for individual paths are presented with results in table 3.

Control variables and endogenous variables were used as single-item constructs in the model. For controls, this is a normal procedure in PLS analysis, but for endogenous variables in structural equation modeling this is more debated an issue (Bontis & Booker, 2007; Ringle, Sarstedt, & Straub, 2012). While PLS can handle well single-item constructs, the study faces the same problems Reichheld (2003)is facing in his one-number policy of NPS. Considering the context of this study, however, this is the only option to conduct such research.

To assess the impact of non-focal variables, country-level effects (e.g. Blocker & Flint, 2007), extent of services provided to the customer (e.g. Palmatier, Scheer, Evans, & Arnold, 2008; Reichheld, 2003), cohort to which the customer belongs and size of the customer by 2008-2011 total order volume were controlled for. To analyze the effect of categorical variables, country and cohort were tested with the pairwise t-test as suggested by (Henseler, Ringle, & Sinkovics, 2009).

No statistically significant differences in path coefficients were found between any pairs of paths within different cohorts. For countries, it was found that

paths from Depth to Hit rate and Extent of Services to NPS were not equal between Finland and Germany at p=.05 but not at p=.01. However, these paths being secondary in the research, this was considered a minor deficiency. Paths from control variables with low p-values and negligible effect on overall model goodness were omitted and thus, customer size in terms of orders within a longer period was omitted from the model. Extent of services had significant effect both to hit rate and to NPS. However, maximum share of services provided to a customer did not exceed 40 % of the total business. Cohort did have an effect on hit rate but not to NPS.

TABLE 1: MODEL VALIDATION AND DEFINITION OF MEASUREMENT ITEMS

Factor	Item	Source	Timing	Standardized Loading
Activity$_{\text{Salesteam}}$	Weighted average number of closed sales leads per salesperson in the sales team[1]	Salesperson / CRM	t_0	.804
	Weighted average number of opened sales leads per salesperson in the sales team	Salesperson / CRM	t_0	.988
	Weighted average number of customers per salesperson in the sales team	Salesperson / CRM	t_0	.982
Depth$_{\text{Customer Relationship}}$	Annual account plan created[2]	Salesperson / CRM	t_0	.926
	Number of annual customer visits	Salesperson / CRM	t_0	.866
	Strategic account status in key account management[2]	Customer database	t_0	.830
Focus$_{\text{Customer Relationship}}$	Average monetary value of sales leads created by salesperson	Salesperson / CRM	t_0	.613
	Won sales cases per one salesperson	Salesperson / CRM	t_0	.950
Performance$_{\text{Salesteam}}$	Weighted average hit rate of the sales team	Salesperson / CRM	t_0	.987
	Weighted average business specific contribution margin of the sales team	Financial reporting	t_0	.633
NPS	Customer reported NPS score[3]	Customers	t_1	1.000
Hit rate	Customer level hit rate[4]	Salesperson / CRM	t_1	1.000

1) Closed sales leads include only leads that have passed tendering phase
2) Binary (yes/no) variables
3) As defined by Reichheld (2003), Likert-scale of 0 to 10
4) Share of won tenders of all tenders submitted to the particular customer

TABLE 2: CORRELATIONS AND CONSTRUCT VALIDITY

Factor	Cronbach's Alpha	Composite Reliability	AVE (Average Variance Extracted)	1	2	3	4	5	6	7	8	9	10
1. Activity$_{\text{Salesteam}}$	.938	.949	.863	**.929**									
2. Depth$_{\text{Customer Relationship}}$	.853	.907	.765	-.335	**.875**								
3. Focus$_{\text{Customer Relationship}}$	.504	.772	.640	-.018	.314	**.800**							
4. Performance$_{\text{Salesteam}}$	.668	.808	.688	-.623	.359	.102	**.829**						
5. Activity × Depth	.935	.929	.595	-.235	-.540	-.030	.025	**.771**					
6. Activity × Focus	.814	.857	.511	-.103	-.162	-.038	.043	.151	**.715**				
7. Activity × Performance	.843	.877	.546	-.405	-.082	-.013	.000	.430	.108	**.739**			
8. Depth × Performance	.869	.828	.459	-.092	.667	.148	.039	-.624	-.104	-.142	**.678**		
9. NPS	1.000	1.000	1.000	-.088	.057	.053	.063	-.047	.151	-.159	.047	**1.000**	
10. Hit rate	1.000	1.000	1.000	-.009	-.090	.042	.193	.018	-.005	-.080	-.087	.082	**1.000**

Note 1: Square roots of AVE presented in bold at the diagonal

Note 2: Correlations between respectively numbered different constructs are presented in the lower triangular

Note 3: NPS, Hit rate and control variables are used as single-measure constructs and thus their respective construct validity figures are exactly 1.000

5 Results

Statistically significant connections between different sales and relationship factors and the Net Promoter score were found in the study. Path coefficients and their respective t-values computed through bootstrapping are shown in table 2. The model itself evaluated without problems and with a total of 268 observations, the model accounted for 11.7 % (R^2 = .117) of the variance for NPS and 12.6 % (R^2 = .126) for hit rate. In the modeling, Activity to NPS path yielded a standardized path coefficient of $\beta = -.27$ and being significant at p =. 019 (t-value 2.36). Therefore, hypothesis H_{1a} with negative relationship between activity and NPS is supported.

Secondly, depth was not found to have a significant direct effect on NPS (t-value .34, p = .74) and the second hypothesis was rejected. Thirdly, focus no support was found to support H_3 of focus having a positive effect on NPS (t-value. The fourth direct effect hypothesis regarding the effect of performance on NPS was not supported either leading to rejection of H_4 (t-value .51, p = .61).

For interaction terms, no support for H_5 of depth interacting with sales activities (t-value .36, p = .72) or H_8 performance interacting with depth (t-value .53, p = .60) were received. However, there was support for H_6 of activity interacting with focus creating positive effect on NPS. The discovered path coefficient for Activity-Focus interaction to NPS was relatively strong β = .19 (t-value 3.76, p = .000). Finally, a significant but contradictory relationship for interaction between activity and performance towards NPS with a path

coefficient of $\beta = -.27$ was found. Despite the significant path, contrary finding leads to rejection of hypothesis H_7.

As hypothesis H_9 the mediating effect NPS would have on sales outcomes was portrayed. Such connection, however, could not be supported. Although being at $p = .152$ and having a positive relationship in the model NPS – hit rate connection did not achieve conventional levels of significance and hence, hypothesis H_9 was rejected.

Though not specifically in focus in this paper, direct connections between controls and hit rate were computed to analyze direct effects parallel to the hypothesized mediating role of NPS. Depth was found to have a significant negative relationship to hit rate with coefficient of $\beta = -.25$ (t-value 2.90, $p = .004$), as well as a positive relationship between performance and hit rate with coefficient of $\beta = .31$ (t-value 3.83, $p = .000$). Other paths were computed as non-significant.

Control variables had also significant effects on NPS and hit rate. Extent of services had an effect on NPS with $\beta = -.17$ (t-value 2.46, $p = 0.02$) and on hit rate with $\beta = .18$ (t-value 3.58, $p = .000$). Cohort had a weaker positive relationship on hit rate with $\beta = .09$ (t-value 2.26) but not to NPS.

Activity indeed does according to the study have an effect on the Net Promoter Score, but somewhat surprisingly, affecting NPS negatively. For activity, as one would expect, direct effects on hit rate were found positive. As hypothesized earlier, although effectively harvesting value creation and appropriation opportunities, this could be due to salespersons' relative

shallowness and haste towards customers that would have expected deeper commitment or devotion to their business.

Secondly focus in connection with activity yielded a positive interaction effect. Despite the negative total effect with one standard deviation increase in focus that would result in slight decrease in NPS with the main effect of activity considered, this finding can be seen as a promising sign. Considering focus as conducting business on fewer salespersons in a relationship, it yields an important implication: sales teams with more value creation and appropriation background could benefit from focusing their efforts on certain customers rather than spreading their efforts on multiple customers even at the risk that multiple salespersons need to be employed at a single account that would be still manageable in a more concentrated manner.

Thirdly, activity in conjunction with performance was found to affect negatively NPS. While being in contrast with the hypothesis, this finding could still prove useful when determining sales force related antecedents of NPS. Performance per se was found not to have an effect on NPS but together with activity, this combination seems to double the effect with a one standard deviation difference from mean on either of the variables. This could be due to a multitude of reasons. One example of these detrimental effects of sales force could be related to excessive non-justified interaction described by Liu and Leach (2001). Blocker et al. (2012) present also situations were perceived excessive value appropriation was potentially fostering distrust and furthermore, could lead to deterioration of the relationship.

Fourthly, no support was found for the hypothesized mediating effect of NPS. Despite the heavy criticism NPS has received during its journey to popularity among corporate practitioners, it still cannot be concluded that the real culprit of not finding a mediating role could have been purely NPS. Due to the scarcity of outcome variables and resulting narrow perspective to the potential effects of NPS, a more solid connection to outcomes could be found from corporate- or customer-level longer-term datasets. This is supported by the research conducted by e.g. Keiningham et al. (2007). The manifestations of higher NPS could also be found from cost side (Palmatier, Scheer, Evans, & Arnold, 2008; W. J. Reinartz & Kumar, 2000) and the network effects (Aksoy et al., 2011; Reichheld, 2003) arising from higher positive word-of-mouth. Analyzing longer-term customer lifetime or referral values would capture these measures. However, the study was unable to tap into these measures and thus, more granular views on customer lifetime and referral value of customers with different levels of NPS could benefit both the companies on quantifying the value of their customer experience programs (V. Kumar et al., 2010) and the academia on accepting or rejecting the claims of NPS. (Reichheld, 2003) On the other hand, NPS could turn out to be as inadequate a measure as its critics have proposed. In this case, the nature of the figure could be more acid-test oriented and would basically act as a simple dichotomous indicator of the health of customer relationships.

TABLE 3: PATH COEFFICIENTS

Relationships	Path Coefficient (t-value in Parentheses)	Hypothesis support
Direct Effects		
$Activity_{Sales\ team}$ → NPS	-.27 (2.36)**	H_{1a} supported
$Depth_{Customer\ Relationship}$ → NPS	-.03 (.34)	H_2 not supported
$Focus_{Customer\ Relationship}$ → NPS	.02 (.41)	H_3 not supported
$Performance_{Sales\ team}$ → NPS	-.04 (.51)	H_4 not supported
$Activity_{Sales\ team}$ → Hit rate	.15 (1.44)	
$Depth_{Customer\ Relationship}$ → Hit rate	-.25 (2.90)***	
$Focus_{Customer\ Relationship}$ → Hit rate	.10 (1.49)	
$Performance_{Sales\ team}$ → Hit rate	.31 (3.83)***	
NPS → Hit rate	.09 (1.44)	H_9 not supported
Interactions		
Activity × Depth → NPS	-.03 (.36)	H_5 not supported
Activity × Focus → NPS	.19 (3.76)***	H_6 supported
Activity × Performance → NPS	-.27 (3.58)***	H_7 not supported
Performance × Depth → NPS	.05 (.53)	H_8 not supported
Controlled Relationships		
Cohort → NPS	.10 (1.50)	
Extent of Services → NPS	-.17 (2.46)**	
Cohort → Hit rate	.09 (1.93)*	
Extent of Services → Hit rate	.18 (2.26)**	
R^2 (NPS)	.12	
R^2 (Hit rate)	.13	
N	268	

*** p<.01

** p<.05

* p<.10

6 Conclusions

6.1 Discussion

This study was intended to act as a discussion-opener in investigating more thoroughly the role of sales force in customer value creation and satisfaction building. It was shown that sales force indeed does play an important role in customer referrals but in a less straightforward manner, as one would expect. Thus, a lot more research is needed to understand this role at a deeper level.

What the study has also demonstrated is the demand for more holistic control of businesses. As sales, marketing and operations, are interlinked not just intra-company but also extra-company as key sources of value creation and appropriation, there is even stronger need to control these measures in a holistic way. It is clearly not enough from customer satisfaction perspective to just create and deliver superior product and services, but also sell and market them in a value- and referral activity -increasing manner to foster longer-term mutually beneficial customer relationships and success of the company. This, in turn, requires more connected management metrics and more solid understanding of the consequences to customer relationships related to e.g. sales management decisions. Through optimizing sales to e.g. value maximizing and satisfaction, loyalty or word-of-mouth maximizing activities for different customers, companies could benefit from overall higher CLV. Problems arise not just from the complex processes regarding sales-satisfaction links but also from e.g. proper operationalization of CLV. According to Bolton et al. (2004) and Verhoef (2003), not many companies

have been successful in measuring or utilizing longer-term customer (lifetime) value.

Frameworks, such as the CUSAMS model (Bolton, Lemon, & Verhoef, 2004), are used to model the effect of different marketing instruments to customers' perceptions of the relationship and eventually, to the affected customer lifetime value. The study clearly shows that salespeople and their activities play a role as a major instrument creating customer referrals, a positive form of customers' perceptions. Therefore, models, such as the CUSAMS, should acknowledge the role of sales more explicitly, either as a separate tool belonging to the domain of marketing, or embedded in marketing instruments, such as relationship marketing.

Also roles of sales management and organization should be assessed more carefully vis-à-vis Net Promoter Score. As it was already found out, effects of unfocused activity may appear destructive from the NPS point of view. To avoid problems arising from potentially inferior models of sales organization, sales management (cf. Ahearne, Mathieu, & Rapp, 2005; Rich, 1997; Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005) and account management principles (cf. Georges & Eggert, 2003; Homburg, Workman Jr., & Jensen, 2002) the effects of different organizational configurations and management should be evaluated.

6.2 Limitations

The most important limitation of the study is the related to using data from corporate reporting, CRM and NPS surveys. Even though three time periods were covered in the study, even more longitudinal analysis could have

revealed more profound and reliable results. In addition to providing more temporal span, it would have leveled the large variations in annual order volumes.

There are also some specific data limitations. As the front line employees selected customers to the NPS survey, they might have introduced selection bias to the customers both in the quality of customers and in timing of surveys. Another example of varying nature of the data, customers paired with sales teams with suspiciously low activity, had to be ruled out of the study. However, this may be due to poor sales force automation adoption (Homburg, Wieseke, & Kuehnl, 2010), which may introduce bias to sales team figures and selection bias to the respective customers, as well.

Though a number of factors were controlled for in the study, there were still a few aspects that could affect generalizability of the study. Firstly, majority of the data points been gathered in a period with unusual market circumstances under the recent financial crisis was raging in the world economy. Secondly, the generalizability to other countries and cultures may be affected as suggested by Blocker (2011) and Homburg et al. (2005). As already proposed in the field of customer value, it is likely that similar differences would be found specifically in sales as well. Thirdly, the study is limited to a certain company in a certain business-to-business industry. These issues should be taken into consideration when interpreting the results.

On the study validity side, it can be clearly seen from the relatively low R^2 values that a number of other factors are affecting NPS and hit rate, as also observed by Palmatier (2008) in his study assessing interfirm relational

drivers of customer value. This clearly indicates a need for a larger subset of relational and sales related drivers of customer satisfaction not available for this study. Although some minor deficiencies, such as low loadings or low AVE values in the validities of individual constructs, were found, no reasons are seen to question the overall validity, specifically as problems lie in non-significant constructs. However, the effects of control variables should be evaluated with a magnifying glass in future research. The extent of services provided was found to have a statistically significant effect both on NPS and hit rate. Similar results have been found to affect customer satisfaction already in the past (e.g. Palmatier, Scheer, Evans, & Arnold, 2008; Reichheld, 2003). This likely to stem from the fact that these services are in some occasions provided by different salespeople and the buying center may be even different. However, no exact information is available from which buying center the interviewed NPS scores have been obtained.

This leads to suggest some future avenues of research to increase knowledge in this interesting area.

6.3 Avenues for future research

Based on the research, there would be a number of future research possibilities to support our understanding of contribution of sales to customer referrals. As the whole domain of sales vis-à-vis customer satisfaction or customer referrals is rather untouched, further findings would provide valuable sales and customer relationship management implications.

Firstly, to understand more deeply the role of sales force in creating customer referral value through real-world data, the ball should be thrown to

academics and firms. To be able to study these connections at the required level of granularity, companies need to be able to connect these measures with the required precision. Morgan, Anderson & Mittal (2005) studied use of customer satisfaction metrics and found really varying practices despite relatively clear prescriptions to utilize such data effectively. It is not just about the use of customer satisfaction metrics but also the ability to link it to right metrics to maximize customer lifetime and referral value, and eventually shareholder value (Petersen et al., 2009). Considering the vast amount of popularity that Net Promoter, as an example, has gained, amount of available data should not be the limiting factor for scholars.

Secondly, methodology-wise, one would consider deeper post-transaction based surveying of customers in businesses involving high relative importance of salespeople to get a deeper insight into the role of sales force in creating customer referrals and consequently referral value. In these cases, the network effects could also be analyzed from the referral recipients' point of view, which, especially in the b-to-b context, would offer new knowledge.

The study also leaves other domains of sales rather untouched. The effects of salesperson satisfaction, engagement, expertise and other attitudinal measures should be employed to complement the more behavioral measures used in this paper. There is some prior research on these aspects (e.g. Ramsey & Sohi, 1997; Schwepker, 2001) but more thorough understanding is needed.

Thirdly, longer tracking period, especially regarding the outcomes, is clearly needed. While with a narrow tracking period, one is able to capture the necessary events happening prior to the event, the outcomes may realize within a number of years through more concentrated purchases to the supplier, through positive word-of-mouth, potentially higher willingness-to-pay or through reduced transaction costs. As already mentioned, this would require more specific measurement of drivers related to customer lifetime and referral value.

Moreover, adding multiple levels of analysis would also allow catching regional word-of-mouth activity and pooling of more longitudinal observations per customer. This in turn, would partly explain differences in sales organizations and regional differences in competition and customers' perceptions of the company.

Last but not least, the amount of observations from different customers should be substantially increased to boost reliability and validity of the study.

7 Definition of terms

ACSI	American Customer Satisfaction Index
AVE	Average Variance Extracted
CBSEM	Covariance-based Structural Equation Modeling
CLV	Customer Lifetime Value
CRM	Customer Relationship Management (system)
CRV	Customer Referral Value
CUSAMS	Customer Asset Management of Services (Bolton et al. 2004)
EFA	Exploratory Factor Analysis
NPS	Net Promoter Score (Reichheld, 2003)
PLS	Partial Least Squares
SEM	Structural Equation Modeling
WOM	Word-of-Mouth

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